



COMDTINST 12831.1
24 JUL 1987

COMMANDANT INSTRUCTION 12831.1

Subj: Military Service Deposits for Retirement

1. PURPOSE. This Instruction provides information on the provisions of the Federal Employees' Retirement System (FERS) concerning deposits for military service performed after 1956.
2. DISCUSSION. Employees who are automatically covered by FERS beginning 1 January 1987, have a new interest-free period. The required deposit is 3 percent of military pay plus interest, as compared to 7 percent plus interest for employees under Civil Service Retirement System (CSRS) rules.
3. DEPOSIT REQUIREMENT UNDER CSRS.
 - a. Under CSRS, military service is generally creditable. However, most military retirees are barred from receiving credit toward CSRS annuity unless they waive their military retirement pay. (See FPM Supplement 831-1, subchapter S3-5 a.(1), available in your servicing civilian personnel office, for exceptions.)
 - b. Beginning in 1957, military service became subject to Social Security, and treatment of military service under CSRS depends on whether it was performed after 31 December 1956. A 1982 civil service law change also distinguishes between pre-1 October 1982 hires, and those employees who first become subject to CSRS on or after that date.
 - c. Employees first hired in positions subject to CSRS after 30 September 1982, can receive post-1956 military service credit only if they make a deposit covering the service. Employees hired in positions subject to CSRS before 1 October 1982, can receive credit for post-1956 military service without making the deposit. They will be subject to elimination of this service credit if they become eligible (or would be eligible upon proper application) for Social Security old-age benefits at age 62. This group of employees can avoid the age 62 recomputation (or lowered computation of the initial rate, if retiring later) only if they make the deposit.

3.d. Post-1956 military deposits are made directly to the servicing civilian personnel office. The deposit amount is 7 percent of base military pay for the period, plus interest. Interest is computed at a variable rate. Interest began on 1 October 1985, or 2 years after the employee was first hired in a position subject to CSRS, whichever is later. However, since Office of Personnel Management's (OPM) method of computing the deposit calls for adding interest only at the end of the year after it begins, no interest is charged if the deposit was paid in full by 30 September 1986, or within 3 years after first coming under CSRS, if later.

4. DEPOSIT REQUIREMENTS UNDER FERS. The following categories of employees are subject to the FERS rules on military deposits:

- a. Employees who are automatically subject to FERS on 1 January 1987;
- b. Employees who are automatically covered by FERS upon reentering after 1 January 1987; and
- c. Employees who elect FERS coverage sometime after 30 June 1987, if they have less than 5 years of civilian service (not counting any civilian service covered simultaneously by both Social Security and CSRS after 31 December 1983) before the effective date of the election. For example, if an employee who had 4 years of civilian service separated in 1981, was rehired in August 1984 under CSRS and Social Security, and transferred to FERS in July 1987, the employee's military service would be treated under FERS rules. This is because the employee had less than 5 years of civilian service which was not under CSRS and Social Security when the employee elected FERS coverage. Employees in these categories pay a deposit of 3 percent (instead of 7 percent) of base military pay and are not distinguished from those who became subject to CSRS before 1 October 1982. Also, military service cannot be credited unless the deposit is completed before retirement.

5. EMPLOYEES SUBJECT TO CSRS DEPOSIT RULES WHO CONVERT TO FERS.

Employees not subject to FERS deposit rules for military service remain subject to the CSRS rules. For these employees the deposit is 7 percent and the interest-free period is unchanged. Also, those first hired subject to CSRS on and after 1 October 1982, are distinguished from those who became subject to CSRS earlier, as explained in paragraph 3.c above. Employees who convert to FERS (other than those described in paragraph 3.c. above) continue to be under the CSRS rules for military deposits, as well as CSRS for annuity computation rules.

6. REFUNDS OF MILITARY SERVICE DEPOSITS. If an employee subject to FERS deposit rules has already made a deposit under CSRS rules, a refund is payable beginning in 1987. The refund will be the difference between the 7 percent deposit and the 3 percent deposit. The OPM will provide the necessary processing forms and instruction to implement the refund provisions.

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7. ACTION. Area and district commanders, commanders of maintenance and logistics commands, and unit commanding officers should disseminate this information to all civilian employees under their command.

/s/ T. T. MATTESON
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